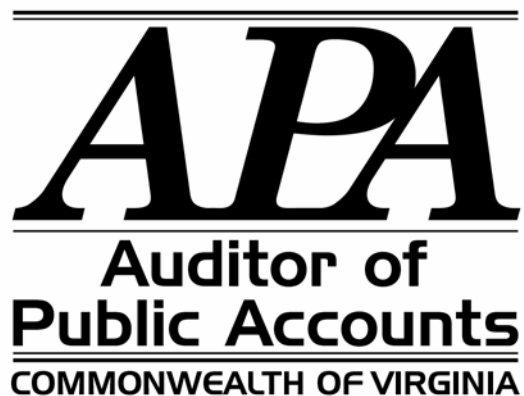


**THE OFFICE OF GOVERNOR**

**REPORT ON AUDIT  
FOR THE YEAR ENDED  
JUNE 30, 2005**



## **AUDIT SUMMARY**

Our audit of the Office of the Governor for the year ended June 30, 2005, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting system;
- no matters involving internal control and its operation necessary to bring to management's attention; and
- no instances of noncompliance with applicable laws and regulations.

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## AGENCY BACKGROUND

The Governor has responsibility for managing the executive branch of the government, serving as Chief of State, and acting as the Commander-in-Chief of the Virginia National Guard. The Division of Selected Agency Support Services in the Office of the Secretary of Administration provides administrative support to the Governor's Office.

### Office Operations

The Governor's Office receives its funding through General Fund appropriations. Since fiscal year 2000, the approved budget did not reflect actual expenses of the Governor's Office; therefore, there has been a consistent need for additional funds to cover unbudgeted expenses. Over time, Governors have used various funding sources to cover these unbudgeted expenses. For fiscal year 2005, the Governor's Office received a deficit appropriation to cover unbudgeted expenses. Both the Governor and the General Assembly have addressed these funding issues in the 2004-2006 biennial budget by appropriating amounts to fully fund operations for fiscal year 2006.

The table below shows the original budget, final budget, and actual expense of the Governor's Office for the last five fiscal years, as well as the proposed budget for fiscal year 2006.

#### *Budget Analysis for Fiscal Years 2001-2005\**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>Proposed 2006</u>
Original budget	\$2,378,854	\$2,379,597	\$2,427,764	\$1,971,396	\$2,036,258	\$3,575,758
Final budget	3,055,171	3,721,386	3,783,643	3,443,546	3,625,305	-
Actual expenses	3,050,441	3,694,344	3,739,769	3,442,112	3,589,879	-

\*Source: Commonwealth Accounting and Reporting System

The majority of the expenses of the Governor's Office are payroll and fringe benefit expenses for its 37 employees. The following table details fiscal year 2005 budget and expenses activity, including a breakdown of expenses by type.

Budget and Expense Analysis for Fiscal Year 2005

Original appropriations per Chapter 4	\$2,036,258
Additions per Chapter 951	<u>219,588</u>
Appropriations per Chapter 951	<u>2,255,846</u>
Adjustments:	
Deficit loan per Section 4-3.01a (2c) of Chapter 4	1,317,531
Adjustment for salary and fringe benefit increases	76,272
Other adjustments	<u>(24,344)</u>
Total adjusted appropriations	<u>3,625,305</u>
Expenses:	
Salaries and fringe benefits	2,949,275
Contractual services	302,985
Continuous charges	173,653
Supplies and materials	128,835
Property and equipment	34,236
Transfer payments	<u>895</u>
Total expenses	<u>3,589,879</u>
Unexpended balance	<u>\$ 35,426</u>

Disaster Planning and Operation

The Governor's Office also receives a "sum sufficient" General Fund appropriation under the Disaster Planning and Operation program, which we did not include in the table above. Under this program, the Governor directs the use of these funds for planning and conducting operations to protect people and property from natural and manmade disasters.

In fiscal years 2004 and 2005, several natural disasters struck Virginia, resulting in the Governor declaring numerous localities as disaster areas. To address damage and recovery from the disasters, the Department of Emergency Management requested and received general fund appropriations from the Disaster Planning and Operation program. The Appropriation Act originally included these funds in Central Appropriations, which were transferred to the Governor's Office and then transferred to the Department of Emergency Management. During fiscal year 2005, the Governor's office transferred \$10.6 million to Emergency Management through this program to address disaster recovery related to Hurricane Isabel, southwest Virginia floods, and Tropical depression Gaston.



# Commonwealth of Virginia

**Walter J. Kucharski, Auditor**

**Auditor of Public Accounts  
P.O. Box 1295  
Richmond, Virginia 23218**

August 19, 2005

The Honorable Mark R. Warner  
Governor of Virginia  
State Capitol  
Richmond, Virginia

The Honorable Lacey E. Putney  
Chairman, Joint Legislative Audit  
and Review Commission  
General Assembly Building  
Richmond, Virginia

## INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the **Office of the Governor** for the year ended June 30, 2005. We conducted our audit in accordance with standards for performance audits set forth in Government Auditing Standards, issued by the Comptroller General of the United States.

### Audit Objectives, Scope, and Methodology

Our audit's primary objectives were to evaluate the accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of the Office's internal control, and test compliance with applicable laws and regulations.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Office's operations. We also tested transactions and performed such other auditing procedures, as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

Expenditures  
Appropriations

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Office's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations.

The Office's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable,

but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Our audit was more limited than would be necessary to provide assurance on internal control or to provide an opinion on overall compliance with laws and regulations. Because of inherent limitations in internal control, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of internal control to future periods is subject to the risk that the controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

#### Audit Conclusions

We found that the Office properly stated, in all material respects, the financial amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Office records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted no matters involving internal control and its operation that we consider necessary to be reported to management.

The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

We discussed this report with management on August 29, 2005.

AUDITOR OF PUBLIC ACCOUNTS

LCR:sks  
sks:24

OFFICE OF THE GOVERNOR

As of June 30, 2005

Mark R. Warner, Governor

DIVISION OF SELECTED AGENCY SUPPORT SERVICES

Dennis M. Johnson, Director